

KENTUCKY DEPARTMENT OF EDUCATION

STAFF NOTE

Review Item:

2010-2012 Biennial Budget Process

Applicable Statute or Regulation:

KRS Chapter 48

History/Background:

Existing Policy. KRS Chapter 48 provides statutory guidelines concerning the biennial budget process relative to the development of the operating and capital budgets. Beginning with the Six-Year Capital Improvement Plan process, through the Agency Budget Request, Executive Budget Recommendation, and Enacted Budget biennial processes, the Kentucky Department of Education, with the approval of the Kentucky Board of Education, will be continuously involved in the consideration and development of the 2010-2012 biennial budget.

The Six-Year Capital Improvement Plan is updated every two years. The process of developing the 2010-2016 Plan began with the agency preparation and submission of capital improvement plan requests to the Capital Planning Advisory Board (CPAB) in April 2009. The two-year agency plan changes to the six-year capital plan are considered by the CPAB in public hearings and prioritized in the State Capital Improvement Plan by November 1, 2009.

Policy Issue(s) and Options:

Current Budget Reductions. KDE sustained two General Fund budget reductions totaling \$8,416,600 in FY 2009. The first FY 2009 budget reduction of \$1,343,600 was achieved by delays in filling position vacancies. Both the monitoring of state and federal programs, along with support for local school districts, are negatively affected by this initial reduction.

The second FY 2009 budget reduction of \$7,073,000 was required by General Fund Budget Reduction Order #09-01, in response to the enactment of House Bill 143 by the 2009 Regular Session of the General Assembly, which amended House Bill 406 as enacted by the 2008 General Assembly in response to a projected General Fund revenue shortfall of \$457,347,000 in fiscal year 2008-2009. Considering the enacted exemptions from appropriation reductions, such as: Health Insurance, Teachers' Retirement System, Support Education Excellence in Kentucky (SEEK), and Family Resource/Youth Services Centers (FRYSCs), the Office of the State Budget Director (OSBD)/Governor's

Office for Policy and Management (GOPM) approved allotment reductions of \$984,900 in KDE Operations, with the remaining reduction of \$6,088,000 in KDE programs, such as textbooks. The administrative operations reduction will further compound problems relative to administrative support provided to the local school districts. KDE is finalizing fiscal activities for the current fiscal year and has initiated the close-out phase for FY 2009 obligations.

The FY 2010 Allotment Request submission process, based upon the 2008-2010 Enacted Biennial Budget, should be completed by June 4, 2009, based upon instructions from OSBD/GOPM. Staff will update the Board at the meeting concerning available OSBD/GOPM budget reduction guidance, relative to the latest revenue projections.

The Department of Education has continued ongoing budget development meetings between the Division of Budgets and each program office in the agency. These meetings facilitate financial, programmatic, budget development, and budget implementation discussions that serve as the foundation for full disclosure to internal program leadership of current and future resource availability.

Biennial Budget Planning. The Department of Education and the Kentucky Board of Education will continue planning for the upcoming biennial budget cycle. The 2010-2012 Executive Branch Budget Instructions for the new biennium (FY 2011 and FY 2012) will be received from OSBD/GOPM after July 1, 2009 to provide budget parameters for KDE budget request development. Staff will discuss potential budgetary considerations with the Board, seeking further Board input concerning prioritization of budget issues. An overview of the 2010-2012 Six-Year Capital Improvement Plan will provide further areas for consideration in the biennial budget request. Staff will prepare a tentative budget request before the next board meeting and the request will be finalized in October for submission to the Governor.

Impact on Getting to Proficiency:

Sufficient funding for education programs is essential for all students to achieve academic proficiency.

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